

Message Text

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E.O. 11652: GDS

TAGS: ECON, EFIN, UR, NATO

SUBJECT: ECONADS; NAC MEETING, OCTOBER 30, AGENDA ITEM V:
AN ESTIMATE OF SOVIET BALANCE OF PAYMENTS IN CONVERTIBLE
CURRENCIES--PRINCIPAL FEATURES AND IMPLICATIONS

REF: A) USNATO 5154 (NOTAL); B) STATE 214266 (NOTAL);
C)USNATO 5958 (NOTAL)

1. BEFORE INVITING DISCUSSION ON ECONOMIC COMMITTEE REPORT ON
SOVIET BALANCE OF PAYMENTS (C-M(74)64), ASYG PANSA SUMMARIZED
CONCLUSION OF STUDY, THAT SOVIET BALANCE OF PAYMENTS CONSIDERABLY
STRENGTHENED DUE TO: (A) INCREASED PRICES FOR SOVIET EXPORTS
OF OIL AND OTHER RAW MATERIALS; (B) INCREASED PRODUCTION AND
EXPORT OF GOLD; AND (C) INCREASED POSSIBILITIES OF ARMS SALES
FOR HARD CURRENCIES. PANSA NOTED THAT WHILE THE PROSPECTS ARE
THE USSR WILL HAVE A SURPLUS IN ITS EXTERNAL ACCOUNTS THIS
YEAR AND NEAR FUTURE, THE TOTAL AMOUNT OF TRADE IS SMALL;
AND SOVIET IMPORTS OF \$6 - \$7 BILLION CAN BE ONLY A MINOR
FACTOR IN TOTAL WESTERN TRADE.
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2. AMBASSADOR DE STAERCKE (BELGIUM) SAID HE WAS
IMPRESSED BY THE FINDING THAT SOVIET IMPORTS ARE EXPECTED TO BE
SO SMALL (\$6 BILLION BEING THE EQUIVALENT OF ONLY ABOUT 2
MONTHS OF BELGIAN EXPORTS) IN VIEW OF CURRENT TALK OF THE HUGE

MARKET POTENTIAL IN THE USSR. DE STAERCKE REFERRED TO MENTION IN THE PRESS OF LARGE INVESTMENT PROJECTS IN THE USSR AND ASKED IF PLANNED JOINT VENTURES WOULD NOT GREATLY INCREASE THE VOLUME OF TRADE. NATO'S ACTING ECONOMIC DIRECTOR DEBUNNE REPLIED THAT, THUS FAR, PUBLICITY REGARDING LARGE PROJECTS IN THE USSR HAS EXCEEDED THE AMOUNT OF TRADE DEVELOPED. DEBUNNE NOTED THAT EXPORTS TO THE SOVIET UNION HAVE NEVER EXCEEDED 4 PERCENT OF TOTAL EXPORTS OF NATO COUNTRIES. NEVERTHELESS, HE ADDED, TRADE WITH THE USSR CAN BE IMPORTANT AND SHOULD BE ENCOURAGED. DEBUNNE EXPLAINED THAT JOINT VENTURES DO NOT NECESSARILY INVOLVE LARGE TRANSFERS OF CONVERTIBLE CURRENCIES AND WILL PROBABLY INCREASE THE VOLUME OF TRADE ONLY marginally.

3. SVART (DENMARK) RAISED A NOTE OF CAUTION, STATING THAT ALTHOUGH THE USSR HAS BENEFITTED FROM THE INCREASE IN OIL PRICES, ITS OWN CONSUMPTION IS INCREASING RAPIDLY. HE NOTED A SIGNIFICANT INCREASE IN SOVIET OIL PRODUCTION IS UNLIKELY IN THE SHORT TERM, BECAUSE SOURCES IN EUROPEAN RUSSIA ARE HEAVILY TAPPED AND THE DEVELOPMENT OF SIBERIAN RESERVES WILL REQUIRE VAST CAPITAL INVESTMENT. PECK(UK) AGREED, BUT SAID THE FLEXIBILITY THE SOVIETS HAVE AS A RESULT OF THEIR STRONG BALANCE OF PAYMENTS POSITION IS STILL SIGNIFICANT, ALLOWING THEM TO BORROW ON LONG-TERM AT LOW INTEREST RATES AND LOAN AT SHORT-TERM HIGHER RATES IF THEY CHOOSE. KRAPP (FRG) ADDED THAT ALTHOUGH HE REALIZED DATA WAS DIFFICULT TO OBTAIN, IT WOULD BE INTERESTING TO HAVE A BREAKDOWN, IF POSSIBLE, OF SOVIET EARNINGS FROM CASH ARMS SALES.

4. PANSA CONCLUDED BY SAYING ECONOMIC COMMITTEE WOULD TAKE NOTE OF POINTS RAISED BY COUNCIL IN FURTHER STUDIES OF SOVIET BALANCE OF PAYMENTS.
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